








Lesson Plan

Lesson 22 – Credit for Child and Dependent Care Expenses

Time Required: 30 minutes

Introduction	Objectives	Topics
This lesson teaches students how to determine a taxpayer's eligibility for the child and dependent care credit and use Form 2441 to calculate the amount reported on Form 1040, line 48.	<p>Determine if a taxpayer is eligible for the credit.</p> <p>Calculate the amount of the credit.</p>	<p>    </p> <p>Nonrefundable Credit</p> <p>Child and Dependent Care Credit</p> <p>Determining Taxpayer Eligibility</p> <p>Five Eligibility Tests</p> <p>Taxpayer Interview</p> <p>Determining the Amount of the Credit</p> <p>Avoiding Common Errors</p>

Key Terms

Adjusted Gross Income (AGI): The taxpayer's total adjusted gross income (AGI) is the amount that is used to compute some limitations, such as the medical and dental deduction on Schedule A and the credit for child and dependent care expenses.

Child and Dependent Care Credit: A nonrefundable credit that allows taxpayers to claim a credit for paying someone to care for their qualifying dependents under the age of 13 or spouses or dependents who are unable to care for themselves. The credit ranges from 20% to 35% of the taxpayer's expenses.

Dependency Exemptions: Amount that taxpayers can claim for a "qualifying child" or "qualifying relative." Each exemption reduces the income subject to tax. One exemption is allowed for each qualifying child or qualifying relative claimed as a dependent.

Earned Income: Includes wages, salaries, tips, and other employee compensation. Earned income also includes net earnings from self-employment and other income received for personal services.

Nonrefundable Credit: A nonrefundable credit can only reduce the tax liability to zero. Any excess credit is not refunded to the taxpayer.

Qualifying Child: To be identified as a qualifying child, a person must meet certain basic tests. In addition, there may be other requirements to claim various tax benefits for that qualifying child.

Qualifying Relative: To be identified as a qualifying relative, a person must meet seven tests: Member of household or relationship test, Qualifying child of another taxpayer test, Citizen or resident test, Gross income test, Support test, Joint return test, and Dependent taxpayer test.

TANF: Temporary Assistance for Needy Families (previously known as AFDC), a state benefit also known as welfare.

Teacher Tips

Guidelines for Lesson

Guideline	Instructor Notes	Presentation Aids
Lesson background info	Review the online demo of TaxWise on Income.	TaxWise® Demo: From the Practice Lab, select: <ul style="list-style-type: none"> • 2011 TaxWise IRS training • TaxWise Desktop Preparer with VITA/TCE Training menu or the TaxWise Online Preparer with VITA/TCE Training menu • Click the Nonrefundable Credits button, then click Part 1
Provide details and engage the students	Discuss all tips and cautions in detail. Ask students to read and/or role-play examples and sample interviews. Review answers to each exercise; ask students how they arrived at their answers.	Internet: Link & Learn Taxes (L&LT) Credit for Child and Dependent Care Expenses

Topic-specific Tips

Topic Name	Instructor Notes	Presentation Aids
Introduction	Review lesson objectives. Discuss this lesson is one of eight lessons that cover the Tax and Credits section of the return. Review the list of references. State the presentation time.	Visuals: Form 13614-C , Section A, Part IV Form 1040 , line 48 Form 13614-C , Section A, Parts II and IV Pub 4012 (Tab G, Tab H, and Tab 5)
Child and Dependent Care Credit	Review L< topic Child and Dependent Care Credit. Review with students child and dependent care: <ul style="list-style-type: none"> • Tax credit for work-related dependent care expenses 	Visuals: Form 13614-C , Section A, Part IV Form W-2 , box 10 Form 1040 , Line 48

- Have a qualifying person
- Credit is 20%-35% of qualifying expenses

Caution students not to confuse this credit with the child tax credit.

Prompt students to use Form 13614-C, Section A, Part IV to ask whether the taxpayer paid for any type of dependent care.

Ask: If the amount of a nonrefundable credit exceeds the tax liability, can the taxpayer get a refund of the difference?

Answer: No, the nonrefundable credit can reduce the tax liability no further than zero.

Ask: What does a taxpayer who receives employer-provided dependent care benefits have to do?

Answer: Complete Form 2441 to determine if they can exclude all or part of these benefits from their taxable income. Be sure to complete Part III of Form 2441.

Display the tax forms used to claim this nonrefundable credit.

[Form 2441](#), Part III

Pub 4012 (Tab 5) [Nonrefundable Credits](#)

Pub 4012 (Tab 5) [Form 2441 – Credit for Child and Dependent Care Expenses](#)

Internet:

[L< Credit for Child and Dependent Care Expenses](#), Child and Dependent Care Credit

FAQ: [Can I claim both the child tax credit and the child and dependent care credit?](#)

FAQs: [Child and Dependent Care Credit & Flexible Benefit Plans](#)

Determining
Taxpayer
Eligibility

Five Eligibility
Tests

Review L< topic Determining Taxpayer Eligibility.

Refer students to Pub 4012 (Tab G) Child and Dependent Care Credit Expenses Tip to determine who is a qualifying person.

Refer students to Pub 4012 (Tab G) Credit for Child & Dependent Care Expenses – Decision Tree and review the five tests that must be passed to claim the credit.

Ask: Does a child have to be the taxpayer's dependent to qualify for this credit? **Answer:** In most cases yes. There are some exceptions including children of divorced or separated parents.

Refer students to Pub 17 special rules for children of divorced or separated parents.

Emphasize that only the parent with whom the child lives can take this credit.

Refer students to Pub 4012, (Tab H) Earned Income Table for a list of earned income.

Ask: Can taxpayers with no taxable income claim this credit? **Answer:** No.

Prompt students to give examples of childcare expenses that do not qualify for the credit.

Ask: Can taxpayers who use the Married Filing Separately filing status claim this credit? **Answer:** No.

Visual:

[Form 13614-C](#), Section A, Part IV

Pub 4012 (Tab G) [Child & Dependent Care Expenses Tip](#)

Pub 4012 (Tab G) [Credit for Child & Dependent Care Expenses – Decision Tree](#)

Pub 4012 (Tab H) [Earned Income Table](#)

[Pub 17](#), Chapter 32, Child and Dependent Care Credit, Child of Divorced or Separated Parents or Parents Living Apart

Internet:

[L< Credit for Child and Dependent Care Expenses](#), Determining Taxpayer Eligibility, Five Eligibility Tests

Tax Trails: [Can You Claim the Child and Dependent Care Credit?](#)

Tax Map: [FAQ: Moved out... not divorced... can I claim child care expenses?](#)

TaxWise Demo:

Show links from Form 2441 to the worksheets.

Determining the Amount of the Credit	<p>Review L&LT topic Determining the Amount of the Credit.</p> <p>Remind students that taxpayers must use due diligence to obtain child care provider information.</p> <p>Review Form 2441.</p> <p>Demonstrate TaxWise Main Info sheet, box 6c. Check DC box and complete Form 2441 screen.</p> <p>Remind students that if the taxpayer received employer-paid benefits, complete Form 2441, Part III before Part II.</p>	<p>Visuals:</p> <p>Form 2441</p> <p>Form W-2, box 10</p> <p>Pub 4012 (Tab 5) Nonrefundable Credits</p> <p>Pub 4012 (Tab 5) Form 2441 – Credit for Child and Dependent Care Expenses</p> <p>Internet:</p> <p>L&LT Credit for Child and Dependent Care Expenses, Determining the Amount of the Credit</p> <p>TaxWise Demo:</p> <p>Show links for Main Info sheet box 6c and Form 2441.</p>
Avoiding Common Errors	<p>Review L&LT topic Avoiding Common Errors.</p> <p>Remind students to:</p> <ul style="list-style-type: none">• Verify Form 13614-C, Part IV shows box for child/dependent care is checked• Double-check all entries• Complete Form 2441, Part III if taxpayer's Form W-2 shows an amount in box 10	<p>Visuals:</p> <p>Form 13614-C, Section A, Part IV</p> <p>Form 2441</p> <p>Internet:</p> <p>L&LT Credit for Child and Dependent Care Expenses, Avoiding Common Errors</p>
Summary	<p>Review the lesson summary with the class.</p>	<p>Visuals:</p> <p>L&LT Credit for Child and Dependent Care Expenses, Summary</p> <p>L&LT Credit for Child and Dependent Care Expenses: Click Assessments icon to review Summary and Exercises</p>

Vanessa Scenario	Direct students to Appendix A, Vanessa practice for Credit for Child and Dependent Care Expenses. After they complete the exercise, ask students if they have any questions.	Visuals: Appendix A Practice for Credit for Child and Dependent Care Expenses
Practice	<p>Select the practice exercise on Form 2441 and Form 1040 line 48.</p> <p>Ask students to select the problem based on their certification course of study.</p> <p>Verify they have correctly entered the credit for child and dependent care expenses.</p>	<p>Publication 4491-W Basic Comprehensive Problem and Practice Exercises</p> <p>Publication 4491-W Intermediate Comprehensive Problem and Practice Exercises</p> <p>Publication 4491-W Advanced Comprehensive Problem and Practice Exercises</p> <p>Publication 4491-W Military and International Comprehensive Problem and Practice Exercises</p>

References

L<	Credit for Child and Dependent Care Expenses
Form 1040	Form 1040 , Line 48
Form 2441	Form 2441, Child and Dependent Care Expenses
Form 13614-C	Form 13614-C , Intake/Interview & Quality Review Sheet, Section A, Parts II and IV
Pub 4012	<p>Pub 4012, Volunteer Resource Guide, Tab G, Tab H, and Tab 5</p> <p>Tab G, Child and Dependent Care Credit Expenses</p> <p>Tab G, Credit for Child & Dependent Care Expenses – Decision Tree</p> <p>Tab H, Earned Income Table</p> <p>Tab 5, Nonrefundable Credits</p> <p>Tab 5, Form 2441 – Credit for Child and Dependent Care Expenses</p>
Pub 17	Pub 17 , Chapter 32, Child and Dependent Care Credit
Appendix A	Vanessa Scenario Appendix A

Pub 4491-W

[Pub 4491-W](#) – Basic-International comprehensive problem, practice exercise(s) or supplements for Form 2441 and Form 1040, line 48

Optional

Form 1040 Instructions

[Form 1040 Instructions](#), Line 48

Recommended Classroom Activities



Tax Facts



Assessments



Media: Videos
& Audio



TaxWise
Tutorial



Job Aids



Practice
Lab



Tax Facts: Link & Learn Taxes Credit for Child and Dependent Care Expenses

Click Tax Facts for a new way to access Link & Learn Taxes Credit for Child and Dependent Care Expenses.



Assessments – Summary and Exercises

Click Assessments for a new way to access the Summary and Exercises in Link & Learn Taxes Credit for Child and Dependent Care Expenses.



Media: Video & Audio for Lesson

YouTube video on Summer Day Camp Expenses

http://www.youtube.com/watch?v=iehimv_UEY4&lr=1



TaxWise Tips and Resources for Lesson

TaxWise screens

Main Information Screen, box 6c

Form 2441 – Credit for Child and Dependent Care Expenses

Practice Lab Tutorial

From the Practice Lab, select:

1. 2011 TaxWise IRS training
2. TaxWise Desktop Preparer with VITA/TCE Training menu or the TaxWise Online Preparer with VITA/TCE Training menu
3. Nonrefundable Credits button, then click Part 1

TaxWise TV

<http://www.taxwisetv.com/presentation.asp>



Job Aids

ITA and FAQs for Lesson

Tax Trails	<p>Can You Claim the Child and Dependent Care Credit?</p> <p>http://www.irs.gov/Individuals/Tax-Trails---Can-You-Claim-the-Child-and-Dependent-Care-Credit%3F</p>
Tax Map	<p>FAQ: Moved out... not divorced... can I claim child care expenses?</p> <p>http://taxmap.ntis.gov/taxmap/faqs/faq_02-002.htm#TXMP118df1a7</p>
FAQs	<p>Child and Dependent Care Credit & Flexible Benefit Plans</p> <p>http://www.irs.gov/Help-&-Resources/Tools-&-FAQs/FAQs-for-Individuals/Frequently-Asked-Tax-Questions-&-Answers/Child-Care-Credit,-Other-Credits/Child-and-Dependent-Care-Credit-&-Flexible-Benefit-Plans</p> <p>Can I claim both the child tax credit and the child and dependent care credit?</p> <p>http://www.irs.gov/Help-&-Resources/Tools-&-FAQs/FAQs-for-Individuals/Frequently-Asked-Tax-Questions-&-Answers/Child-Care-Credit,-Other-Credits/Child-Tax-Credit/Child-Tax-Credit-3</p> <p>Can I claim the credit for the elderly or the permanently and totally disabled?</p> <p>http://www.irs.gov/Help-&-Resources/Tools-&-FAQs/FAQs-for-Individuals/Frequently-Asked-Tax-Questions-&-Answers/Child-Care-Credit,-Other-Credits/Credit-for-the-Elderly-or-the-Disabled/Credit-for-the-Elderly-or-the-Disabled</p>
References	<p>References</p> <p>http://apps.irs.gov/app/vita/content/22/references.jsp</p>



Practice Lab

Practice Lab	http://www.voltaxprep.com/
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